

Sanquhar Tile Services Limited

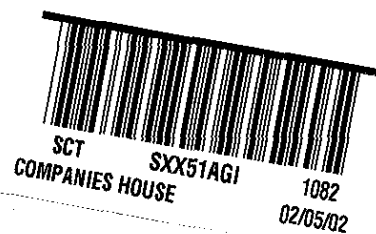
Report and Financial Statements

Year Ended

31 December 2001

9331

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Sanquhar Tile Services Limited

Annual report and financial statements for the year ended 31 December 2001

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Directors

J.B.Smith
D.Watters
D.Lind

Secretary and registered office

W.J.M. Secretaries Limited,
The Industrial Estate, Blackaddie Road, Sanquhar, Dumfriesshire DG4 6DB

Company number

9331

Auditors

BDO Stoy Hayward, Ballantine House, 168 West George Street, Glasgow, G2 2PT

Bankers

Bank of Scotland, 5 Wavell Drive, Rosehill Business Park, Carlisle CA1 2ST

Solicitors

Wright, Johnston & MacKenzie, 302 St. Vincent Street, Glasgow G2 5RZ

Sanquhar Tile Services Limited

Report of the directors for the year ended 31 December 2001

The directors present their report together with the audited financial statements for the year ended 31 December 2001.

Results and dividends

The profit and loss account is set out on page 6 and shows the profit for the year.

Dividends of £58,375 on ordinary shares were paid during the year. The directors do not recommend the payment of a final dividend.

Principal activities, review of business and future developments

The company's principal activity is the manufacture and commission manufacture of carpet tiles.

Both the level of business and the year end financial position were satisfactory.

The directors do not envisage any significant changes in the company's operations in the near future.

Directors

The directors of the company during the year were:

J.B.Smith

D.Watters

D.Lind

A.D. Curran (Resigned on 21 November 2001)

No director had any beneficial interest in the share capital of the company. Their interest in the shares of the holding company are disclosed in the financial statements of that company.

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Sanquhar Tile Services Limited

Report of the directors for the year ended 31 December 2001 (*Continued*)

Auditors

BDO Stoy Hayward have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

On behalf of the board



D. Watters

Director

14 March 2002

Sanquhar Tile Services Limited**Report of the independent auditors**

To the shareholders of Sanquhar Tile Services Limited

We have audited the financial statements of Sanquhar Tile Services Limited for the year ended 31 December 2001 on pages 6 to 19 which have been prepared under the accounting policies set out on page 8 to 9.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Sanquhar Tile Services Limited**Report of the independent auditors (*Continued*)**

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


BDO STOY HAYWARD
*Chartered Accountants
and Registered Auditors*
Glasgow

14 March 2002

Sanquhar Tile Services Limited**Profit and loss account for the year ended 31 December 2001**

	Note	2001 £	2000 £
Turnover	2	7,028,589	6,806,186
Cost of sales		5,870,812	5,439,721
Gross profit		1,157,777	1,366,465
Distribution costs		572,447	525,447
Administrative expenses		307,807	362,602
		277,523	478,416
Other operating income		4,750	-
Operating profit	5	282,273	478,416
Other interest receivable and similar income	6	753	65
Interest payable and similar charges	7	(40,076)	(48,067)
Profit on ordinary activities before taxation		242,950	430,414
Taxation on profit on ordinary activities	8	71,652	124,085
Profit on ordinary activities after taxation for the year		171,298	306,329
Dividends	9	58,375	72,750
Retained profit for the financial year	18	112,923	233,579

All amounts relate to continuing activities.

All recognised gains and losses in the current and prior year are included in the profit and loss account.

There are no movements in shareholders' funds in the current and prior year apart from the profit for the year.

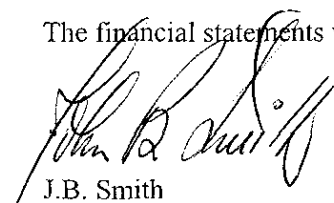
The notes on pages 8 to 19 form part of these financial statements.

Sanquhar Tile Services Limited

Balance sheet at 31 December 2001

	Note	2001 £	2001 £	2000 £	2000 £
Fixed assets					
Tangible assets	10		1,278,980		1,293,255
Current assets					
Stocks	11	994,846		1,001,633	
Debtors	12	1,256,583		1,409,883	
Cash at bank and in hand		488,967		69,203	
		2,740,396		2,480,719	
Creditors: amounts falling due within one year	13	1,533,849		1,353,458	
Net current assets			1,206,547		1,127,261
Total assets less current liabilities			2,485,527		2,420,516
Creditors: amounts falling due after more than one year	14	356,150		464,533	
Provision for liabilities and charges	15	89,921		69,450	
Accruals and deferred income	16	140,000		100,000	
			586,071		633,983
			1,899,456		1,786,533
Capital and reserves					
Called up share capital	17		67,720		67,720
Profit and loss account	18		1,831,736		1,718,813
Equity shareholders' funds			1,899,456		1,786,533

The financial statements were approved by the Board on 14 March 2002.


J.B. Smith
Director

The notes on pages 8 to 19 form part of these financial statements.

1 Accounting policies

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards. The following principal accounting policies have been applied:

Cash flow statement

The company has taken advantage of the exemption conferred by Financial Reporting Standard 1 'Cash Flow Statements (Revised 1996)' not to prepare a cash flow statement on the grounds that at least 90% of the voting rights in the company are controlled within the group headed by Justcreek Limited and the company is included in consolidated financial statements.

Turnover

Turnover represents the invoiced amount of goods sold and services provided, stated net of value added tax.

Depreciation

Depreciation is provided to write off the cost or valuation, less estimated residual values, of all tangible fixed assets, evenly over their expected useful lives. It is calculated at the following rates:

Freehold property	- depreciated over 20 years
Plant & machinery	- depreciated over varying periods ranging between 5 and 10 years depending on the anticipated life of the asset concerned

Stocks

Stocks are stated at the lower of cost and net realisable value as follows:-

Costs incurred in bringing each product to its present location and condition:

Raw materials - purchase cost on a first in, first out basis.

Work-in-progress and finished goods - cost of direct materials and labour plus attributable overheads based on normal level of activity.

Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal.

Deferred taxation

Provision is made for timing differences between the treatment of certain items for taxation and accounting purposes to the extent that it is probable that a liability or asset will crystallise.

Pensions

The company operates a defined benefit pension scheme and pension contributions are charged to profit and loss account to spread the cost of the pensions over the employees working lives.

Operating leases

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to the profit and loss account as incurred.

Sanquhar Tile Services Limited

Notes forming part of the financial statements for the year ended 31 December 2001 (*Continued*)

1 Accounting policies (*continued*)

Deferred government grants

Deferred government grants represent grants received on capital expenditure, and for approved regional projects. The grants are credited to the profit and loss account from date of receipt, over either the expected useful lives of the assets concerned, or the lives of the assets relating to the regional projects.

2 Turnover

	2001 £	2000 £
Analysis by geographical market:		
United Kingdom	5,712,798	4,023,142
Europe	1,315,791	2,783,044
	7,028,589	6,806,186

Turnover is wholly attributable to the principal activity of the company.

Sanguhar Tile Services Limited

Notes forming part of the financial statements for the year ended 31 December 2001 (Continued)

3 Employees

Staff costs (including directors) consist of:

	2001	2000
	£	£
Wages and salaries	2,154,158	2,158,204
Social security costs	159,698	166,218
Other pension costs	182,709	178,058
	<u>2,496,565</u>	<u>2,502,480</u>

The average number of employees (including directors) during the year was as follows:

	2001	2000
	Number	Number
Management and administration	10	11
Production, installation and sales	99	98
	<u>109</u>	<u>109</u>

4 Directors' remuneration

	2001	2000
	£	£
Directors' emoluments	199,255	210,905
	<u>199,255</u>	<u>210,905</u>

There were 4 directors in the company's defined benefit pension scheme during the year (2,000 - 4).

5 Operating profit

This is arrived at after charging/(crediting):

	2001	2000
	£	£
Depreciation of tangible fixed assets	187,101	176,137
Hire of plant and machinery - operating leases	37,588	37,792
Auditors' remuneration - audit services	16,000	14,000
Profit on sale of fixed assets	-	(5,432)
	<u>240,689</u>	<u>222,507</u>

Depreciation includes £70,454 (2000 - £67,954) charged on assets held under hire purchase contracts.

Sanquhar Tile Services Limited

Notes forming part of the financial statements for the year ended 31 December 2001 (Continued)

6 Other interest receivable and similar income

	2001	2000
	£	£
Bank deposits	753	65
	<u> </u>	<u> </u>

7 Interest payable and similar charges

	2001	2000
	£	£
Bank loans and overdrafts	18,304	29,400
Hire purchase contracts	21,772	18,667
	<u> </u>	<u> </u>
	40,076	48,067
	<u> </u>	<u> </u>

8 Taxation on profit on ordinary activities

	2001	2000
	£	£
<i>UK Corporation tax</i>		
<i>Current year</i>		
UK corporation tax	27,446	56,858
Transfer to deferred taxation account	20,471	21,577
Group relief	12,661	15,964
Consortium relief	11,692	20,953
	<u> </u>	<u> </u>
	72,270	115,352
<i>Prior years</i>		
UK corporation tax	(8,101)	(8)
Deferred taxation	-	8,741
Consortium relief	7,483	-
	<u> </u>	<u> </u>
	71,652	124,085
	<u> </u>	<u> </u>

9 Dividends

	2001	2000
	£	£
<i>Equity shares</i>		
Ordinary shares		
Interim paid of £0.86 (2,000 - £1.00) per share	58,375	67,825
Final proposed of £nil (2,000 - £0.07) per share	-	4,925
	<u> </u>	<u> </u>
	58,375	72,750
	<u> </u>	<u> </u>

Sanquhar Tile Services Limited

Notes forming part of the financial statements for the year ended 31 December 2001 (*Continued*)

10 Tangible fixed assets

	Freehold land and buildings	Plant and machinery	Total
	£	£	£
<i>Cost</i>			
At 1 January 2001	645,841	2,149,074	2,794,915
Additions	1,798	171,028	172,826
At 31 December 2001	647,639	2,320,102	2,967,741
<i>Depreciation</i>			
At 1 January 2001	206,169	1,295,491	1,501,660
Provided for the year	30,522	156,579	187,101
At 31 December 2001	236,691	1,452,070	1,688,761
<i>Net book value</i>			
At 31 December 2001	410,948	868,032	1,278,980
At 31 December 2000	439,672	853,583	1,293,255

Included above are assets held under hire purchase contracts with net book values as follows:

	2001	2000
	£	£
<i>Net book value</i>		
Plant and machinery	471,017	521,168

11 Stocks

	2001	2000
	£	£
Raw materials	552,945	545,046
Work in progress	1,293	5,063
Finished goods and goods for resale	440,608	451,524
	994,846	1,001,633

Sanquhar Tile Services Limited**Notes forming part of the financial statements for the year ended 31 December 2001 (Continued)****12 Debtors**

	2001	2000
	£	£
Trade debtors	955,050	1,370,006
Amounts owed by group undertakings	105,786	2,071
Other debtors	154,372	1,763
Prepayments and accrued income	41,375	36,043
	<u>1,256,583</u>	<u>1,409,883</u>

All amounts shown under debtors fall due for payment within one year.

13 Creditors: amounts falling due within one year

	2001	2000
	£	£
Bank loans and overdrafts (secured)	31,000	31,000
Trade creditors	875,766	507,426
Taxation and social security	144,176	135,213
Proposed dividend	-	4,925
Corporation tax	27,446	56,858
Obligations under hire purchase contracts	119,800	109,800
Other creditors	143,933	204,969
Accruals and deferred income	191,728	303,267
	<u>1,533,849</u>	<u>1,353,458</u>

Sanquhar Tile Services Limited

Notes forming part of the financial statements for the year ended 31 December 2001 (Continued)

14 Creditors: amounts falling due after more than one year

	2001 £	2000 £
Bank loans	155,000	188,583
Obligations under hire purchase contracts	201,150	275,950
	<u>356,150</u>	<u>464,533</u>

Maturity of debt:

	Hire purchase		Other debt		Total	
	2001 £	2000 £	2001 £	2000 £	2001 £	2000 £
In one year or less, or on demand	119,800	109,800	31,000	31,000	150,800	140,800
In more than one year but not more than two years	119,800	109,800	31,000	31,000	150,800	140,800
In more than two years but not more than five years	81,350	166,150	93,000	93,000	174,350	259,150
In more than five years	-	-	31,000	64,583	31,000	64,583
	<u>320,950</u>	<u>385,750</u>	<u>186,000</u>	<u>219,583</u>	<u>506,950</u>	<u>605,333</u>

Included in creditors due after more than one year are the following amounts repayable in more than five years:

	2001 £	2000 £
Loans	31,000	64,583

The hire purchase obligations are secured on the assets being purchased.

A Loan of £310,000 was received from the Bank of Scotland on 5 January 1998. The loan is repayable in equal monthly instalments by December 2007 and bears interest at 1% over base rate. The bank holds a standard security over a property owned by the company and a floating charge over its whole assets.

Sanquhar Tile Services Limited

Notes forming part of the financial statements for the year ended 31 December 2001 (*Continued*)

15 Provision for liabilities and charges

	Deferred taxation
	£
At 1 January 2001	69,450
Transfer from profit and loss account	20,471
At 31 December 2001	89,921

Deferred taxation

	2001 £	Provided 2000 £
The amount of deferred tax provided for is as follows:		
Accelerated capital allowances	121,837	74,179
Sundry timing differences	(31,916)	(4,729)
	89,921	69,450

There is no unprovided deferred tax.

16 Accruals and deferred income

	2001 £	2000 £
Deferred income		
At 1 January 2001	100,000	140,000
Received in the year	100,000	-
Released to the profit and loss in the year	(60,000)	(40,000)
At 31 December 2001	140,000	100,000

17 Share capital

	2001 £	Authorised 2000 £	Allotted, called up and fully paid 2001 £	2000 £
<i>Equity share capital</i>				
Ordinary shares of £1 each	90,000	90,000	67,720	67,720

Sanquhar Tile Services Limited**Notes forming part of the financial statements for the year ended 31 December 2001 (Continued)**

18 Reserves

	Profit and loss account £
At 1 January 2001	1,718,813
Profit for the year	112,923
At 31 December 2001	1,831,736

19 Reconciliation of movements in shareholders' funds

	2001 £	2000 £
Profit for the year	171,298	306,329
Dividends	(58,375)	(72,750)
	112,923	233,579
Opening shareholders' funds	1,786,533	1,552,954
Closing shareholders' funds	1,899,456	1,786,533

20 Pensions

The company operates a defined benefit pension scheme for employees. The assets of the scheme are held in a separate Trustee administered fund. The pension cost is assessed in accordance with the advice of a professionally qualified actuary on the basis of the valuations using the projected unit method. The most recent valuation was at 31 December 2001.

The pension cost for the year ended 31 December 2001 was £156,359 (2000 - £151,658). The contributions made in the period 1 January 2001 to 31 December 2001 for the company were at the rates of 8.1%/8.225% and 6.1%/6.225% of Pensionable Salaries for Category A members and Category B members respectively. Employee contributions were 3% of Pensionable Salaries for Category A members and 5% of Pensionable Salaries for Category B members. Contribution rates will be reviewed at the date of the next actuarial valuation on 1 April 2002.

In addition to the above, the company contributes to a life assurance scheme. The cost of providing life cover during the year was £26,350(2000- £26,400).

The main financial assumptions at 31 December 2001 used by the actuary were: :

Inflation	2.0%
Salary escalation	3.7%
Pension increases	3.0%
Discount rate	5.7%
Deferred pension increases	3.0%

The assets in the scheme and the expected rate of return at 31 December 2001 were:

	Long-term rate of return expected at 31 December 2001	Value at 31 December 2001 £'000
Equities	6.9%	1,716
Bonds 5.7%	271	
Other - Property	5.3%	107
- Cash	5.3%	46
Cash on deposit		42
Total market value of assets		2,182
Present value of scheme liabilities		(2,118)
Surplus on the scheme		64
Related deferred tax liability		(13)
Net pension asset on a FRS 17 basis		51

Sanquhar Tile Services Limited

Notes forming part of the financial statements for the year ended 31 December 2001 (Continued)

20 Pensions

The company operates a defined benefit pension scheme for employees. The assets of the scheme are held in a separate Trustee administered fund. The pension cost is assessed in accordance with the advice of a professionally qualified actuary on the basis of the valuations using the projected unit method. The most recent valuation was at 31 December 2001.

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In addition to the above, the company contributes to a life assurance scheme. The cost of providing life cover during the year was £26,350(2000- £26,400).

The main financial assumptions at 31 December 2001 used by the actuary were: :

Inflation	2.2%
Salary escalation	3.7%
Pension increases	3.0%
Discount rate	5.7%
Deferred pension increases	3.0%

The assets in the scheme and the expected rate of return at 31 December 2001 were:

	Long-term rate of return expected at 31 December 2001	Value at 31 December 2001 £'000
Equities	6.9%	1,716
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Sanquhar Tile Services Limited

Notes forming part of the financial statements for the year ended 31 December 2001 *(Continued)*

23 Capital commitments

	2001 £	2000 £
Contracted but not provided for	516,475	-

24 Related party disclosures

Balances due to or by group undertakings are included in note 12. The company has taken advantage of the exemptions to disclose group transactions as conferred by section 3(c) of Financial Reporting Standard No. 8.

During the year the company invoiced charges of £73,479 to Versatek Limited a company in which Justcreek Limited, the parent company of Sanquhar Tile Services Limited, holds 50% of the issued share capital and of which J.B. Smith and D. Watters are directors. The net balance due by Versatek Limited at 31 December 2001 was £30,602.

Hire charges of £9,625 and fixed asset disposal of £72,000 were made in the year by Styletuft Limited a company in which Justcreek Limited, the parent company of Sanquhar Tile Services Limited, holds 25% of the issued share capital and in which J.B. Smith and D. Watters are shareholders and directors. The balance due to Styletuft Limited at 31 December 2001 was £113,605.

25 Ultimate parent company

The directors regard Justcreek Limited as the company's ultimate parent company.

Justcreek Limited, controlled by J.B. Smith, is the only company within the group of companies for which group financial statements are drawn up and of which the company is a member.